

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

August 25, 1998

ORDER

UNITEL, Inc.
Application for Approval of
Support Services Agreement

Docket No. 98-460

UNITEL, Inc.
Application for Approval of
Reorganization Which Will Result in
the Creation of Parent Corporation

Docket No. 95-181

WELCH, Chairman; and NUGENT, Commissioner

I. Summary of Decision

In this Order we approve a Support Services Agreement (the SSA) that will establish the terms and conditions governing services that will be provided between UNITEL, Inc. (UNITEL or Company) and any affiliated interest of the Company. We do not determine the reasonableness of the amounts charged under the agreement for the purpose of setting the rates of UNITEL, which is a regulated public utility in Maine. Such reasonableness may be examined at the time of any future rate case and further, at the time of the next general rate case of the Company, the Commission will consider whether the approval granted herein will remain in effect.

We also grant the Company's request to waive the requirement in our Order of October 31, 1995, Docket No. 95-181, that the interim approval for the furnishing of services between the Company and its parent or any of its affiliates expires on December 31, 1997. Finally, an examination of our records reveals that the Cost Allocation Manual (CAM) filed by the Company on December 1, 1995, has not been approved by the Commission. We grant that approval in this Order.

II. Discussion

On June 16, 1998, in accordance with the requirements of 35-A M.R.S.A. §707, UNITEL filed its Application for Approval of a Support Services Agreement that would govern the provision and pricing of services described in paragraph 3 of the SSA between the Company and any of its affiliated interests. The SSA is a general document that will be executed whenever the Company decides to provide support services to or obtain services from any of its affiliates.

The SSA states that for services which are also available to unaffiliated third parties, the prices will be the market rate or the applicable tariff rate, if either exists. For other services, the price will be the provider's cost plus 10%.

The cost is determined according to the CAM submitted by the Company on December 1, 1995, in compliance with Section III(3)(c) of the Stipulation in Docket No. 95-181, approved by the Commission on October 31, 1995. While the CAM was reviewed at the time of its submission, the Commission never formally approved it. In an Order in Docket No. 96-777, issued on December 30, 1996, in which we approved the creation of a subsidiary of UNITEL for the purpose of acquiring a 50% interest in a competitive non-regulated telephone business, we noted that the CAM had been reviewed and was considered to be in effect for the allocation of costs and for accounting for any transactions between UNITEL and its affiliates.

While we approve the SSA and the CAM for use by the Company and its affiliates, we do not necessarily approve for ratemaking purposes the prices paid or received by the utility. Those prices, as well as the quantity and quality of services provided, may be reviewed at the time of any examination of the Company's regulated rates. The Company retains the burden of justifying the reasonableness of the services and prices, including the 10% markup, contained in the SSA. Also, in accordance with Chapter 210 of our Rules, the Company must maintain sufficient accounting records to identify the nature, pricing and total dollar value of all transactions with its affiliates.

The SSA filed on June 16, 1998, supersedes an earlier SSA that the Company filed on February 4, 1998, in Docket No. 95-181, along with a Motion for Extension of the December 31, 1997, deadline that had been included in Section III(3)(e) in the Stipulation approved on October 31, 1995. That stipulation section provided that the interim approval for the provision of intercompany services would expire on December 31, 1997, unless the services were the subject of a written contract which had been separately approved by the Commission. No action was taken on the February 4, 1998, filing, and UNITEL now states that it requests approval of the revised SSA filed in Docket No. 98-460, and that the Company is withdrawing the SSA filed on February 4, 1998. The Company continues to request, however, that the Commission waive the December 31, 1997 deadline contained in the Docket No. 95-181 Stipulation for obtaining written approval of any agreement for the provision of services between the Company and its affiliated interests.

We have reviewed the SSA filed by the Company and find it not adverse to the public interest. With the conditions stated

above concerning the regulatory treatment of the services and prices and the need for sufficient accounting of the amounts involved, we approve the SSA as submitted. We also require that the Company file a copy of any executed SSA with the Commission within 30 days of the signing of such agreement.

Therefore, we

O R D E R

1. That the Support Services Agreement filed by UNITEL, Inc. in Docket No. 98-460 is approved for use in the provision of the services specified in the agreement between the Company and any of its affiliated interests;

2. That when UNITEL, Inc. enters into a Support Services Agreement with any of its affiliated interests, it shall file a copy of the executed contract with the Commission within 30 days of the signing of the agreement;

3. That UNITEL, Inc. is granted a waiver of the requirement contained in the Stipulation approved by the Commission on October 31, 1995, in Docket No. 95-181 that the interim approval for the provision of intercompany services would expire on December 31, 1997, unless the services were subject to a written contract which had been separately approved by the Commission;

4. That the Cost Allocation Manual filed by the Company on December 1, 1995, in Docket No. 95-181 is approved; and

5. That this docket be closed.

Dated at Augusta, Maine this 25th day of August, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent

